

TOP SECRET
SECURITY INFORMATION

8 February 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 2 (EASTERN)

1. IRAN. National Front control of new Iranian Parliament foreshadows trouble: The Shah is worried over the probable composition of the new Majlis, Minister of Court Ala has told the US Ambassador. National Front leaders have resorted to terror and chicanery to secure the election of their candidates, and the well-organized Kashani clique may control the new Majlis, compelling Mossadeq to conform to its desires or resign.

The Shah fears also that experienced men in key positions will be purged and replaced by National Front henchmen of little experience or ability. There are even indications that the new government might attempt to change the status of the armed forces, subordinating them to the government rather than to the Shah. According to Ala, Mossadeq has refused to consult the Shah on the grounds that he did not wish to involve him in current politics. (TS Tehran 2976, 6 Feb '52)

Comment: Incomplete election returns indicate that National Front candidates are running well ahead. Mossadeq's well-known attitude toward the Shah and his conviction that the influence of the Shah and the army should be reduced foreshadow parliamentary maneuvers to limit the ruler's power.

SECTION 3 (WESTERN)

2. FRANCE. French press attacks on Draper's appointment considered unusually severe: The US Embassy in Paris reports that the recent French press attacks on the appointment of William Draper as US special representative to NATO are the most intense that the Embassy has witnessed against a high-ranking American official. These attacks have come not from Communist or extreme rightist sources, but from large papers reflecting coalition sentiment. (C S/S Paris 4605, 30 Jan 52)

Comment: Mr. Draper's record of association with Dillon, Read, and Co., which has valuable investments in the Ruhr iron and steel industry, is at the basis of French bitterness. The appointment was ill-timed to coincide with increased German pressure for membership in NATO and has contributed to French uneasiness on the whole German question.

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3. VATICAN-SPAIN. Reports of negotiations for concordat denied: [REDACTED] the Italian Government has no indication of any formal negotiations for a concordat between Spain and the Vatican. Its lack of such information is significant because the Italian Ambassador to the Holy See is regarded as very competent and therefore likely to be cognizant of any such negotiations. [REDACTED]

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Comment: This report supports other indications (see OCI Daily Digest, 27 Oct 51) that the Vatican is not at present disposed to conclude a concordat with Franco. [REDACTED] the Spanish Ambassador to the Vatican has been instructed to press for a concordat; but even he is pessimistic regarding the results of such pressure.

From time to time Spain and the Vatican have arrived at ad hoc agreements clarifying issues on Church-State relations.

4. DENMARK. Foreign Office sees public not yet ready to receive foreign troops: A Foreign Office official has informed the US Embassy that although Danish military men appreciate the need for stationing NATO troops in Denmark, responsible political leaders feel that the public must be accustomed to the idea gradually. He indicated his belief, however, that construction of the facilities that would be subsequently needed for the stationing of troops in Denmark could be started. (TS Copenhagen 570, 4 Feb 52) 25X1X

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Comment: This statement essentially agrees [REDACTED] (see OCI Daily Digest, 17 Jan 52.) The Danes probably envisage a small number of foreign technicians helping NATO facilities in Denmark and some NATO air units occasionally using NATO bases in Denmark for temporary training purposes.

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SECTION 1 (SOVIET)

1. CZECHOSLOVAKIA. Ministry of Health announces new rewards for blood donors: The Ministry of Health has announced that after 1 February blood donors will receive 800 crowns for the first donation and 1000 crowns for each donation thereafter, instead of food parcels. (R FBIS [REDACTED] Home Service, 6 Feb 52)

Comment: A previous report claimed that blood donation centers have operated in Slovakia since October 1951. The cash payment appears sizable, as the average industrial worker earns 3500 to 4000 crowns a month. However if cash payment equals the value of food parcels, by shifting to cash, the government is thereby reducing the gain to the donor since the money allowed will not buy an amount of consumer goods equivalent to the value of the food parcels.

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2. Czech trade monopolies liquidate offices in Belgium: Offices of Czech firms in Belgium were liquidated prior to October 1951 and their directors recalled. [REDACTED] Their business has been turned over to Belgian firms which deal directly with Czechoslovakia. [REDACTED]

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Comment: This move is apparently a part of a general long range program to eliminate Czech trade organizations and personnel abroad which stand between the foreign trader and the Czech production monopolies. Other evidence reveals that the Ministry of Foreign Trade is holding in reserve a plan to replace various foreign trade monopolies with a single trade organization modeled along Soviet lines.

3. Editorial enlarges on "bourgeois cosmopolitanism": A recent editorial in Nove Slovo labels "bourgeois cosmopolitanism" as the main ideological instrument of the "imperialist aggression" by which the United States renders nations which wish to remain independent of US control ideologically defenseless. According to Nove Slovo, cosmopolitan ideology is spread by the Vatican in the form of "Vatican Universalism," which supports the establishment of a world political organization dominated by the US; by Zionism, which is Jewish bourgeois nationalism controlled by the US; and by right-wing socialists. (R FBIS [REDACTED] Home Service, 4 Feb 52)

Comment: This commentary shows that "bourgeois cosmopolitanism," as the term is currently being used in Czechoslovakia, refers primarily to international movements with some ideological foundation which represent, to the Communist party, an actual or potential threat to Communist ideology as developed in the Soviet Bloc nations under Russian

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leadership. It should be noted that, ideologically speaking, Zionism is only one aspect of the larger "threat" to Communism, and that current attacks by Czech leaders on "cosmopolitanism" and Zionism should be read in this context. Such attacks are of course double-edged because they also exploit whatever latent anti-Semitic prejudice exists in the Czech population.

4. RUMANIA. Recent military construction in Rumania: [REDACTED]

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[REDACTED] of considerable military construction in southwestern Rumania during the latter part of 1951. This construction activity, which involves extension of two highways and a rail line, and construction of a narrow gauge railway, is allegedly connected with the construction by Soviet engineers of platforms for launching guided missiles in the Muntele Mic area.

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[REDACTED] during the summer and fall of 1951 materials for building a radar station on Costila Mountain were transported by road and cable cars in the Sinaia area of south-central Rumania. In October 1951 at least five antiaircraft artillery batteries were reportedly in position at Sinaia. [REDACTED]

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Comment: There is no further evidence that guided missile launching platforms are being constructed in southwestern Rumania. Both Muntele Mic and Costila Mountain, however, are excellent locations for radar installations. It is believed, moreover, that the air defenses of the Satellite countries, particularly in southeastern Europe, are being developed.

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SECTION 2 (EASTERN)

1. INDIA. Kashmiri Prime Minister criticizes UN action on Kashmir: Kashmiri Prime Minister Sheikh Abdullah told the American and British delegations in Paris that he doubts UN Representative Graham can solve the Kashmiri problem under his present terms of reference. The Prime Minister believes that neither India nor Pakistan can now withdraw from its position and that Graham's authority should be widened to allow consideration of new solutions. Abdullah also suggests that Kashmiri refugees would have to be repatriated before a fair plebiscite could be held although this might prove impossible (S Paris DELGA 1308, 6 Feb 52)

Comment: High Kashmiri and Indian officials seem to be engaged in a campaign to demonstrate to the United States and Great Britain the knotty problems still to be faced before a plebiscite can be held in Kashmir, and to convey that a solution other than an over-all plebiscite would be preferable.

Abdullah has already made it clear that he hopes the Legislative Assembly of Indian-held Kashmir, which he controls, will eventually be allowed to determine Kashmir's relationship with India. He has also indicated his desire for a substantial degree of autonomy for Kashmir.

2. INDONESIA. Government appoints ambassador to Communist China: The Indonesian Government has officially announced the appointment of Sudarsono as its first ambassador to Peiping. (C Djakarta 1103, 1 Feb 52)

Comment: The Indonesian Government has been represented by a Charge in Peiping since it opened its embassy there in December 1950. The appointment of an ambassador has been delayed until a person was available whom the government considered sufficiently experienced to fill the post. A recent shift in several diplomatic assignments made possible the appointment of Sudarsono, former ambassador to India. The appointment does not indicate any sudden concern over Indonesian relations with Communist China.

3. INDONESIA/NETHERLANDS. Dutch-Indonesian talks at The Hague continue unresolved: The First Secretary of the Netherlands Embassy in Washington informed a State Department official that the Netherlands had rejected Indonesia's latest proposal for solution of the New Guinea dispute. The plan specified that an Indonesian governor be appointed for Netherlands New Guinea who would be assisted by Netherlands advisers and would not be exclusively responsible to Indonesia. He stated that Supomo, head of the Indonesian delegation, had been "obviously disappointed" at the Dutch reaction.

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The Dutch official added that the treaties thus far proposed by Indonesia as a substitute for the Union State would settle few details, and would include even less than normal treaties of amity. (S to Djakarta 834, 6 Feb 52)

Comment: The Hague talks were undertaken in December at the insistence of the Indonesian Government. No substantial progress has been achieved to date on either the proposed transfer of de facto control over Netherlands New Guinea to Indonesia or on the abrogation of the Netherlands-Indonesian Union and the necessary revision of financial, cultural, and military agreements between the two countries.

4. INDOCHINA. French military position in Tonkin analyzed: The US Military Attache, the chief of MAAG and the Legation staff jointly estimate that French Union forces are in little danger of losing any important position in the Tonkin delta to Viet Minh attacks within the next few months -- except for a possible withdrawal from the Hoa Binh salient. On the other hand, it is unlikely that the strength or spirit of the Viet Minh will decline.

The French defense of Hoa Binh has exposed other areas of the Tonkin defense perimeter to Viet Minh infiltration and, owing to French casualties, has reduced French capabilities to oppose a Chinese Communist attack. There is no current "acceptable" intelligence indicating immediate danger of a Chinese invasion, "though the pattern, initial preparations and indications for such an invasion are apparent." (S Saigon 1556 6 Feb 52)

5. CHINA. Peiping denounces "oppression" of Chinese in Thailand: A Peiping spokesman publicly denounced the Thai Government for arresting three pro-Communist Chinese last December and allegedly deporting them to Formosa. The statement warned the Thai Government to stop deporting Chinese to Formosa -- lest the Chinese people have "sufficient reason" to claim a "blood debt." It called upon Thailand to release all "patriotic" Chinese now under arrest. (R FBIS, 6 Feb 52)

Comment: The Thai Government periodically threatens to deport undesirable Chinese to Formosa, but has never done so. Two groups of deportees in late 1951 were sent to Chinese Communist territory. In the past year, Peiping has denounced the Thai Government for becoming a base of US aggression, for collusion in Chinese Nationalist operations in the Sino-Burma border area, and for persecuting overseas Chinese. Such denunciations have not yet become sufficiently fierce and frequent to suggest imminent Chinese Communist military action against Thailand.

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6. Communist journals promise "liberation" of Hong Kong: Two Chinese Communist newspapers in Canton on 6 February charged the British authorities in Hong Kong with converting the Colony into a base for aggression against China. Both asserted that Hong Kong is Chinese territory. One stated that the Chinese would not "stand idly by" in the face of hostile action; the other promised that the Colony will "eventually be liberated." (U UP, 6 Feb 52)

Comment: The Chinese Communist press has been denouncing the UK daily for the past two weeks. One editorial employs precisely the language used by Premier Chou En-lai prior to Chinese intervention in Korea; the other is the first official statement of intention to "liberate" the Colony. The word "eventually," however, suggests that an attack is not imminent.

7. 25X1X East Germany to supply synthetic oil equipment to China:

[REDACTED], the East Germans have offered three hydrogenation plants to China. The specifications provide that each plant is to produce 150,000 tons of aviation gasoline annually, using coal as raw material. Chinese coal is now being shipped to Germany for analysis. Production will start at the plants five years after the Chinese have placed the order [REDACTED]

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Comment: The Chinese Communists now have in operation in Manchuria at least one of the plants built by the Japanese to produce synthetic fuel from coal. China is in great need of petroleum products and would undoubtedly be interested in building additional capacity.

8. Secret police official sentenced to death for corruption: The Chinese Communist press reports that the chief of the administrative department of the Ministry of Public Security has been found guilty of corruption and sentenced to death. (U NY Times 7 Feb 52)

Comment: This Ministry is the approximate equivalent of the USSR's Ministry of State Security (MGB). This functionary's position in this Ministry suggests that he was a longtime Chinese Communist Party member. He is the highest-ranking official of the Peiping regime whose death sentence on any charge has been announced.

9. KOREA. ROK Police forcibly collecting land payments from farmers: A South Korean newspaper stated that ROK police are forcibly collecting from farms payments in kind for the land distributed in land reform.

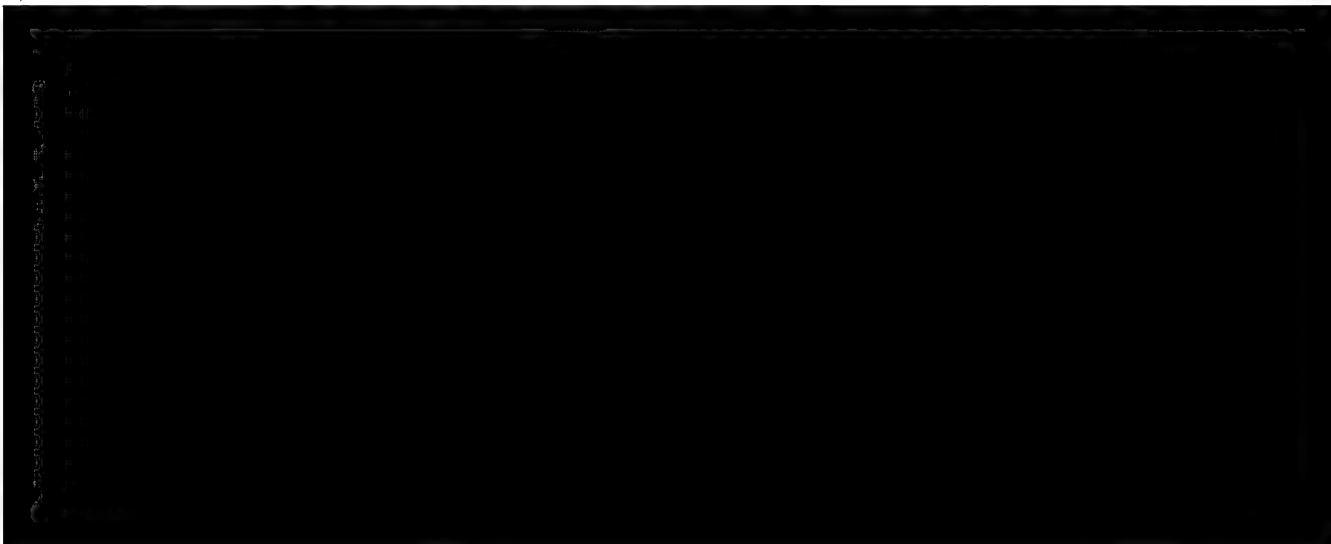
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The paper vigorously condemned the forced payments, pointing out that they are not taxes and the government should instead take legal steps to recover the land. (U Pusan 768, 5 Feb 52)

Comment: South Korean farmers reportedly are already complaining about the single-tax system under which an equivalent amount of rice is collected instead of cash. Confiscation of rice from farmers in arrears on their land-sale payment will be an added financial burden on the traditionally overtaxed Korean peasantry.

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Soviet investment in Japanese industry held unlikely:

believes that the prospects for Russian investment in Japanese industry are "extremely remote." Although he does not rule out the possibility of covert Soviet investment through sympathetic Japanese, the source has heard no mention of this among the Japanese industrialists.

On the other hand, Japan seeks US investments in the hope that American capital will take the form of machinery, and that Japanese companies will be able to manufacture American products under patent agreements. The Japanese, who realize that the USSR can offer no such inducements, will not encourage or permit Soviet investments. Even if they thought the USSR had something to offer, the inherent dislike of the Soviets would deter industrial collaboration.

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Comment: While covert Soviet participation in small, financially-straitened Japanese firms would afford the USSR intelligence "listening posts," there are few private Soviet citizens in Japan to serve as go-betweens, and it is doubtful if Soviet diplomats in Japan would engage in

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this activity.

12. People's Democratic Party scheduled to dissolve: Kyodo News Service reports that the People's Democratic Party was scheduled to be dissolved on 7 February in favor of a new coalition opposition party. Preparations have been completed for a meeting of the preparatory committee of the new party on 8 February, although the Democrats and their supporting political groups have not yet succeeded in selecting a president for the new party. (R FBIS Ticker, 7 Feb 52)

Comment: For several months the Democrats, the largest conservative opposition party, have been negotiating in hopes of attracting into the new party all the Diet groups between the Liberals and the Socialists, as well as a number of ranking depurgees. The Japanese press has predicted for several weeks that formation of the new party and its success depend upon the selection for the presidency. Several prominent politicians are rumored to have refused the presidency, probably preferring to see whether the party wins wide public support before committing themselves.

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SECTION 3 (WESTERN)

1. GERMANY. Adenauer softens attitude on arms restrictions: At a meeting with the Allied High Commissioners on 5 February Chancellor Adenauer vigorously rejected a French demand that Germany accept an arms restriction convention which would be a part of the Allied-German Contractual Agreement. He stated, however, that when the general agreement is promulgated, he would be willing to make some form of separate declaration affirming that security restrictions contained in the EDC convention would have "general" application. The US High Commissioner felt that such a device might break the current deadlock. (S Bonn 1437, 5 Feb 52)

Comment: The proposed declaration would probably stipulate that West Germany would limit arms production to those fields assigned it under the EDC. This proposal is in essence the British position on security controls; it is acceptable to the US, but not to France which still wants the US to be a party to any agreement on German security controls.

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2. EAST GERMANY. New Center Party may be established: [REDACTED] the projected establishment of a new Center Party in East Germany and believes it would be the most suitable vehicle for exploiting the dissident elements of the West German Center Party. [REDACTED]

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Comment: The Communists might direct the formation of an East German Center Party in the hope of eventually developing an "all-German" Center Party with neutralist objectives; but the expulsion of Helene Wessel, a staunch neutralist, from the chairmanship of the West German Center Party suggests that few West German Centrists would be attracted to such a party. A new East German Center Party would also be designed to strengthen the facade of "independent democratic" parties, thus cleansing the political picture against the possibility that a UN commission may be admitted to investigate political conditions preparatory to all-German elections.

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3. AUSTRIA-POLAND. Poles renege on food shipments: Poland has announced that it cannot deliver to Austria the 16,000 pigs called for under the present trade agreement. [REDACTED] that refusal of the peasants to deliver livestock has created a serious food problem in Polish cities. Austria's failure to obtain rye as a substitute for the pigs is attributed to Poland's stockpiling of grains. (S Salzburg Joint Weeka 5, 2 Feb 52)

Comment: US officials, who have been much concerned over Austria's shipping of ball bearings to Poland in return for coal, recently proposed that deliveries of ball bearings be suspended for a six-week period to see

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whether Poland would retaliate. The present failure to carry out the trade agreement with respect to meat deliveries provides a favorable pretext for initiating such a test. There is no direct evidence available to support the belief that Poland is stockpiling grains. Last summer's serious drought, plus peasant unwillingness to fulfill planned grain deliveries to the government, probably accounts for the Austrian failure to obtain the rye.

4. BELGIUM. Belgium more conciliatory in TCC negotiations: In the current bilateral discussions between Belgian and US representatives on Belgium's rejection of the TCC recommendations, the Belgian delegate stated that any change in his country's attitude toward increased defense expenditures must be balanced by a solution to Belgium's EPU difficulties. In view of Belgium's heavy extension of export credits, the delegate proposes that the EPU guarantee free convertibility of currencies and that a special pre-financing fund for armament expenditures be set up. He suggests that this financing of exports through EPU be recognized as an important contribution to the defense effort as well as a heavy burden on the economy. Belgium is also willing to clarify the misunderstandings attendant on its objections to the TCC procedures. (S Brussels 1076, 1097, 1105, and 1106, 31 Jan, 3 Feb 52)

Comment: Belgium has still not indicated a willingness to make a firm commitment for increasing its defense expenditures according to the TCC recommendations. However, there has been over-all improvement in the country's formerly intransigent attitude on defense spending (see OCI Daily Digest, 16 and 18 Jan 52).

5. UNITED KINGDOM. Foreign Office proposes travel restrictions on Soviet officials: The Permanent Undersecretary of the British Foreign Office has approved a proposal for restricting the travel of Soviet officials in Britain. The US Embassy in London reports that the proposal is identical with a State Department draft on the same subject. The cabinet has not yet acted on the proposal. Britain has hitherto been reluctant to take such retaliatory action for fear of inviting further Soviet restrictions. (C London, 3384, 5 Feb 52)

Comment: According to the proposal drafted by the State Department, in which the US Embassy in Moscow generally concurs, the travel of Soviet officials in the US would be regulated on the basis of reciprocity. Although the related problem of the treatment of Western nationals in eastern European countries has been discussed in NATO, there is no indication that Britain is willing to abandon its relatively cautious attitude toward retaliatory action against the Satellite nations.

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6. Eden suggests UN investigation of Chinese Nationalist troops in Burma: In the House of Commons foreign policy debate on 5 February, Foreign Secretary Eden proposed a "small" UN Peace Observation Commission to investigate the Chinese Nationalist troops in Burma. Stating that it was necessary to establish the facts of the situation, Eden said the British Government would support the proposal if Burma proved agreeable to it. (R London 3407, 6 Feb 52) 25X1X

Comment: [REDACTED] this proposal was being considered by the government primarily for its probably favorable effect on British public opinion as refutation of one aspect of left-wing Labor criticism of Conservative Far Eastern policy. There have been indications that Burma would resent any such proposal which it did not initiate.

7. Britain wants early discussions with Turkey on MEC: London has proposed to Washington and Paris that Turkey and Greece be brought into Admiral Carney's Southern European regional command under SHAPE, with a reminder from the US, the UK and France to the Turks that they are expected to make a contribution to the MEC. The British propose an early meeting in London between these three powers and Turkey to proceed with the organization of an MEC. US Ambassador McGhee, who received this information from the British Ambassador in Ankara, reports the latter as concerned over London's tendency to seek tripartite agreement on MEC matters to be presented as a fait accompli to Turkey. Pointing out that Turkish participation in the MEC is generally unpopular in both government and private circles, McGhee urges against tripartite agreement on the meeting or any other MEC matter without prior consultation with the Turks. (S Ankara 710, 5 Feb 52)

Comment: In the face of adamant Turkish opposition, the British recently abandoned their plan to associate Turkey only with an MEC and agreed to its forces being placed under Eisenhower. Turkey has indicated willingness to participate in an MEC after it becomes a NATO member.

8. BRITISH CENTRAL AFRICA. Churchill government advances date for conference on federation: Britain has called a conference of representatives of Northern and Southern Rhodesia and Nyasaland for April to seek to compromise differences on the Central African federation plan proposed under the Labor government. (U NY Times, 5 Feb 52)

Comment: The Churchill government has advanced by several months the scheduled meeting on this project, which is partly intended to enhance the economic viability of this mineral-rich area and strengthen it politically against expansionist tendencies in the Union of South Africa. There is still no indication, however, of how Britain intends to meet the opposition of the native Africans, who fear complete subordination in any federation

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including Southern Rhodesia with its highly race-conscious white settler government.

9. ARGENTINA. Government arrests 150 persons for plotting: The Argentine Government has arrested approximately 150 persons, including members of the Radical Party and military and police officers, on charges of plotting to assassinate the Perons and overthrow the government. (C Buenos Aires 564, 6 Feb 52)

Comment: The Radical Party denies participation in the alleged plot. An exiled naval officer in Uruguay states that certain members of the Argentine armed forces are still making plans to oust Peron despite the latter's security measures (see OCI Daily Digest, 5 Feb 52).

10. ARGENTINA-PARAGUAY. Paraguay to permit Latin American labor conference to meet in Asuncion: As a result of representations made by the Argentine and Uruguayan general labor confederations, President Chavez has agreed that Paraguay will act as host at the Latin American labor conference called by Argentina for 9 to 17 February. His decision was embarrassing to the Paraguayan Confederation of Workers, which had released a statement that it would not participate in an effort to form a new Argentine-sponsored labor bloc. (C Asuncion 218, 2 Feb 52)

Comment: The government-dominated Argentine Labor Confederation is trying to promote a third-position labor organization (see OCI Daily Digest, 1 Feb 52) and the establishment of Argentine-oriented confederations in other Latin American countries. According to a Costa Rican broadcast, the meeting in Asuncion will discuss a joint Latin American trade unions committee.

11. PANAMA. Canal Zone policies blamed for Panama's economic difficulties: Various important Panamanians are endorsing a leading newspaper's editorial which blames Canal Zone authorities for the progressive industrialization of the Canal Zone and for the consequent "competition" which is "strangling the Panamanian economy." US Ambassador Wiley reports that the President and most of his cabinet approve the line taken in the editorial. The Ambassador has been informed that the editorial is the opening gun in a campaign which will "culminate in a demand for 'nationalization' (internationalization?) of the Canal." (C Panama 686, U Panama 681 and 682, 5 Feb 52)

Comment: In recent years, many Panamanians have expressed the opinion that enterprises in the Canal Zone compete unfairly with enterprises in the Republic. Ex-president Arnulfo Arias reportedly plans to

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start a campaign for the nationalization of the Panama Canal. The only overt expression to date in favor of nationalization, however, has been an editorial printed in an influential tabloid last October (see OCI Daily Digest, 24 Oct 51).

12. VENEZUELA. Cominform reportedly suggests April oil workers' strike: Cuban Communist Sara Pascual, who was reportedly in Moscow in December, arrived later that month in Venezuela allegedly carrying Cominform orders for anti-government activities. She is said to have conferred with Venezuelan Communist leaders on the possibility of calling an oil strike in April. [REDACTED]

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Comments: This is the first report of a Cominform directive to the Venezuelan Communist Party. The significance of April as a time for a Cominform-inspired strike is not entirely clear, though it may have been chosen to coincide with the anniversary of the government-imposed labor contracts. Pascual was in Europe since last spring; she reportedly visited Czechoslovakia, Hungary and the USSR, but is not known to have visited Cominform headquarters at Bucharest.

13. CANADA. Contribution to NATO to be increased: Canada has agreed to allot to NATO an additional 100 million dollars out of its 2.4-billion-dollar defense budget. This sum, like the 225-million-dollar NATO contribution previously provided for in the 1952-1953 defense budget, will be in the form of military items manufactured in Canada. (S Ottawa 124, 5 Feb 52)

Comment: This increase in the Canadian contribution to NATO is more substantial than had been expected after the cabinet's rejection last month of the TCC's recommendation that Canada grant 200 million dollars of economic aid. Finance Minister Abbott had indicated earlier that the contribution would be limited to the difference between actual defense expenditures and the amount budgeted. The cabinet still refuses to increase the total Canadian defense expenditure for 1952-1953.

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